



CALIFORNIA Economic Indicators

March-April 2008

Housing Still Weighs

The economic slowdown still appears tied to housing troubles.

■ REVIEW OF RECENT ECONOMIC DEVELOPMENTS

February 2008 brought better labor market news for California even though the housing slump continued to cost the state jobs. Despite some tentative stability for home sales, residential building and home prices were again disappointing.

EMPLOYMENT

Employment gains in February

California added 25,800 nonfarm jobs in February even though the nation as a whole lost 63,300 jobs. Strong gains in the information sector, which includes motion picture and video production industries, suggest that the state began recouping the employment losses stemming from the writer's strike. After losing 21,000 jobs in February, motion picture and video production added 9,400 jobs.

The strongest gains in February were in the information, 11,400, and education and health sectors, 10,100. Trade, transportation, and utilities added 7,400; leisure and hospitality, 4,600; other services, 1,100; government, 500; natural resources and mining, 200; and professional and business services, 100.

Job losses were again associated with moribund real estate markets. Financial activities lost 3,500 jobs, construction, 3,100, and manufacturing, 3,000.

Despite the good gain in February, nonfarm payroll employment was up only 8,100, or 0.1 percent, from a year earlier. Employment rose 49,700 in government; 45,300 in educational and health services; 27,400 in professional and business services; 20,800 in leisure and hospitality; 14,800 in trade, transportation, and utilities; 5,300 in other services. Employment was unchanged in natural resources and mining.

Annual job losses were lead by sectors closely connected to home construction and real estate. Over the year, employment fell by 78,500 in construction; 41,200 in financial activities; 26,000 in manufacturing; and 9,500 in information.

Illusory unemployment news

The state's unemployment rate fell by 0.2 percentage point to 5.7 percent in February. But this was not necessarily good news as both employment and unemployment dropped. As a result, the overall labor force declined, with the percentage decline in the number of unemployed persons exceeding the percentage decline in the labor force. This could have been caused by an increase in the number of "discouraged workers"—something that is not unusual in an economic slowdown.

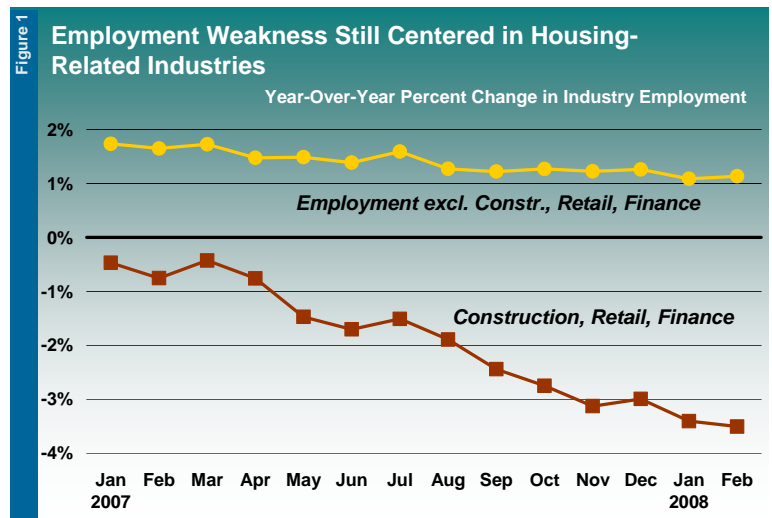
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Industries closely tied to homes and home building were the chief cause of the deterioration in California's labor market.

BUILDING ACTIVITY

Weak home construction

In home building, alternating monthly ups and downs continued in February. The pace of new home construction permitting recovered somewhat from a very weak January. However, February's pace, 89,900 units on a seasonally adjusted, annual rate basis, was still meager, off 31 percent from a year earlier. Home construction permitting during the first two months of 2008 was down 42 percent from the same months of 2007 and down 61 percent from the same period of 2006. Weak single-family home building was the principal cause of this downturn.

Slowdown in office and store construction

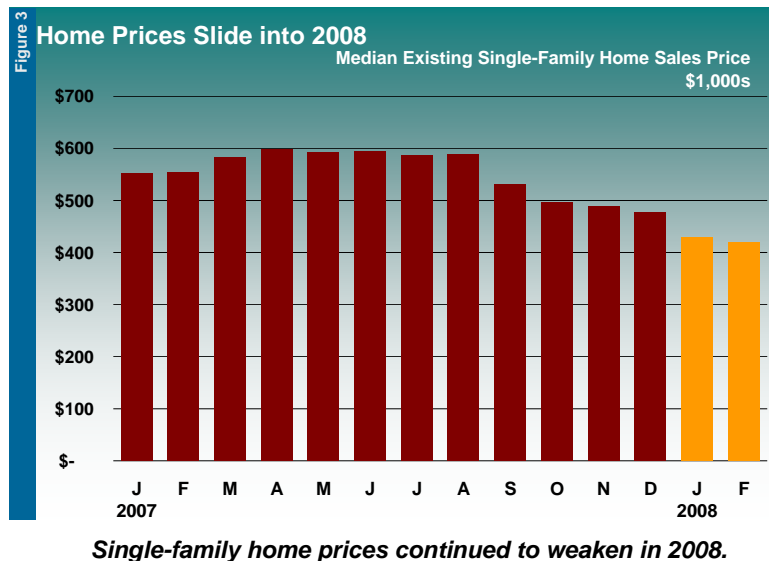
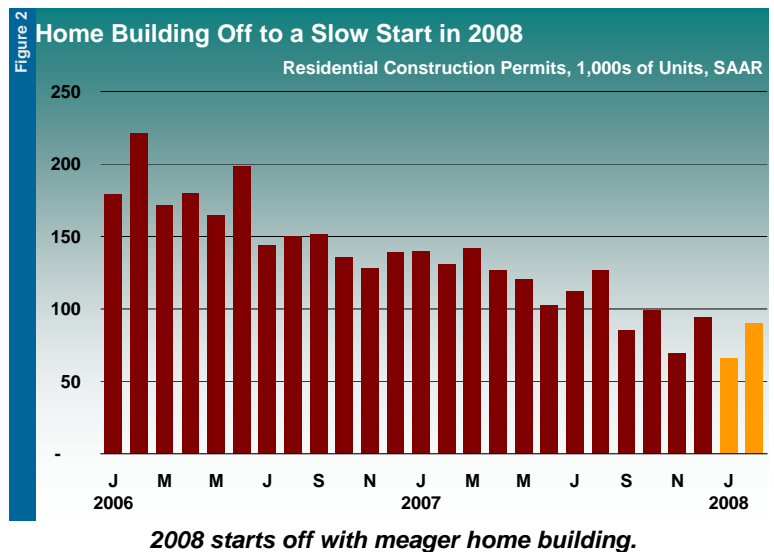
Nonresidential construction continued a see-saw pattern into 2008. A sharp jump in December was followed by a slowdown in January and then a slight improvement in February. However, in a definite contrast with 2007, nonresidential permitting during the first two months of 2008 was down 10 percent from the same months of 2007. The most significant slowdowns were in office and store construction.

REAL ESTATE

Home sales pick up slightly

Sales of existing single-family detached homes improved for the fourth month in a row in February, reaching a seasonally adjusted annual rate of 343,220 units. Despite this slight improvement, home inventories remain elevated according to the California Association of Realtors. Existing home sales during the first two months of 2008 were the slowest recorded for the January-February period since 1995.

As was the case in the preceding three months, improved home sales did not halt the slide in home prices. The median price of existing homes sold dropped by nearly 5 percent in February to \$419,640. This was the sixth consecutive monthly decline. Over the last 12 months, the median price has fallen by 24 percent.



ECONOMIC FORECAST UPDATE

The following is from the May Revision of the Governor's 2008-09 Budget. The forecasts were prepared in April 2008 and are based on information available at that time.

Two years into the housing slump, the national and California economies began to face additional headwinds — falling home prices, tight credit conditions, dysfunctional financial markets, and soaring food and energy prices. These headwinds took a toll: The housing downturn worsened. Labor markets weakened. And, at the end of 2007, consumers began to lose confidence in the economy.

In the mid-2000s, low interest rates, easy credit, and questionable lending practices sharply increased the demand for housing, leading to accelerating home prices, increased home building, and strong consumer spending. But this sizable economic stimulus depended on rising home prices, and when declining home affordability put a cap on home prices, the stimulus evaporated. Uncertainty about how far home values would decline depressed home sales and building. Consumers were pinched as their home equity fell.

Declining home prices and jumps in subprime mortgage rates have led to record mortgage delinquencies and home foreclosures in California. Home values may decrease further before real estate markets and home building return to normal. Until then, the housing sector will be a significant drag on economic growth in the state.

The most significant differences between the May Revision forecast and the Governor's Budget forecast are lower real GDP growth, weaker California job growth, and smaller gains in California personal income in 2008 and 2009.

The outlook for the national economy is for slow growth in 2008, moderate growth in 2009, and near-trend growth in 2010:

- Real GDP is projected to grow 1.2 percent in 2008, • 1.7 percent in 2009, and 3 percent in 2010, as compared to 2.2 percent in 2007.
- Nonfarm payroll employment is forecast to increase 0.2 percent in 2008, 0.4 percent in 2009, and 1.2 percent in 2010, as compared to 1.1 percent in 2007.

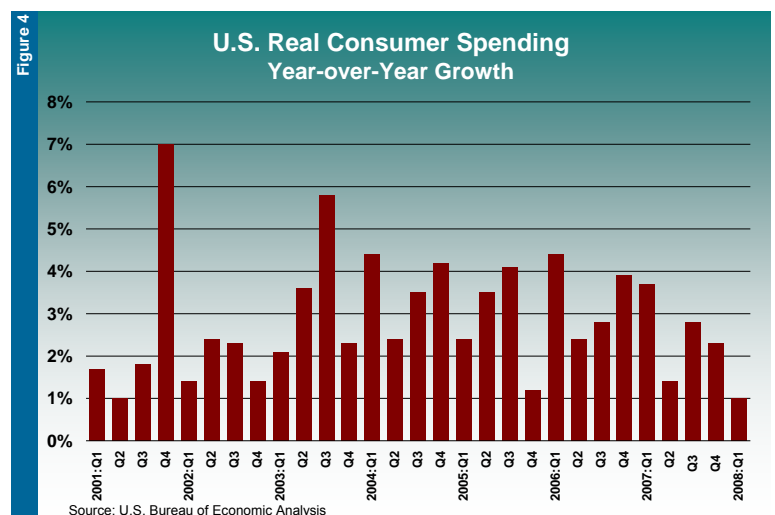
The outlook for the California economy is for little growth in 2008 followed by slow growth in 2009 and moderate growth in 2010:

- Personal income is projected to grow 4.5 percent in 2008, 4.1 percent in 2009, and 5.1 percent in 2010, as compared to 5.9 percent in 2007.
- Nonfarm payroll employment is forecast to fall 0.2 percent in 2008, and then grow by 0.6 percent in 2009 and 1.4 percent in 2010, as compared to 0.7 percent in 2007.

THE NATION

Real GDP grew only 0.6 percent in the first quarter of 2008. The weakness was concentrated in residential construction, which fell 27 percent at an annualized rate. Residential construction has been a significant drag on the national economy for eight consecutive quarters, and there is little indication that the end to the decline is near. New and existing home sales continue to fall. Inventories of homes available for sale remain large. The number of new homes being built is still declining. The subprime mortgage debacle and subsequent financial market turmoil, waves of home foreclosures, and credit tightening appear to have reinforced the housing slump.

More troubling, consumer spending increased by just 1 percent in the first quarter — its slowest quarterly rate in nearly seven years (Figure 4). Granted, it is only one quarter, and consumers have bounced back from a quarter of weak spending a number of times in the past seven years. However, the retrenchment by consumers is consistent with sharp declines in consumer confidence surveys in the last three months to levels that historically have been associated with recessions. Consumer spending is being squeezed by slower job growth, falling home prices, higher energy and food prices, high consumer debt levels, and the falling dollar.



Elsewhere in the GDP report, business investment in structures and equipment and software fell in the first quarter. Government spending increased modestly. But what kept real GDP from falling in the first quarter was an increase in inventory investment of \$20 billion by businesses, which most likely was not intended.

National labor markets weakened in the first four months of 2008. Nonfarm payroll employment fell each month, with the losses averaging 65,000 per month. In comparison, nonfarm payroll employment rose with an average monthly gain of 94,000 in the first four months of 2007. The national unemployment rate averaged about 5 percent in the first four months of 2008. A year ago, it averaged 4.5 percent in the first four months.

Energy and food prices shot up in the first three months of 2008, with the average price for regular-grade gasoline reaching \$3.60 per gallon and the crude oil spot price \$116 per barrel by the end of April. A year earlier, regular gasoline sold for \$2.97 and the crude oil spot price was \$59 per barrel. The average cost of food at home in the first quarter of 2008 was 5.2 percent higher than a year earlier. A year earlier, this measure of inflation was 2.7 percent. The increase in food and energy prices, coming at a time when the economy has decelerated appreciably, puts the Federal Reserve in a difficult position. In an effort to give the economy a boost, the central bank has eased monetary policy on seven occasions in the last eight months, lowering their target for federal funds from 5.25 percent to 2 percent. Believing that the committee was risking higher inflation, some members of the Federal Reserve monetary policy committee have dissented on the last three votes to ease policy.

CALIFORNIA

Growth in nonfarm payroll employment slowed in California in 2007, with employment peaking in the third quarter and then slipping in the fourth quarter. The state lost jobs again in the first quarter of 2008, although to a lesser extent than the nation.

The annual average of nonfarm payroll employment increased by 102,900, or 0.7 percent in 2007, down from 259,000, or 1.7 percent, in 2006. Eight of the 11 major industry sectors saw employment grow in 2007. Educational and health services, government, leisure and hospitality, and trade, transportation, and utilities posted the biggest gains in jobs. Together, construction, financial activities, and manufacturing lost nearly 95,000 jobs. The San Francisco Bay Area economy had the strongest job growth of the major regional economies. The state's unemployment rate averaged 5.4 percent in 2007 and was 5.9 percent in the first three months of 2008.

California personal income grew by an estimated 5.9 percent in 2007, slightly lower than the 6.5-percent gain in 2006. Taxable sales, however, peaked in the second quarter of 2007 and were down 3 percent from the peak in the fourth quarter of 2007 (Figure 5). New vehicle registrations fell again in 2007, likely playing a role in the slowdown of taxable sales.

Made-in-California exports grew by 5 percent to a new record level of \$134.2 billion in 2007; however, high-tech exports fell 1.9 percent. In 2006, total exports increased by 9.4 percent. Leading export destinations (in order) were Mexico, Canada, Japan, mainland China, South Korea, Taiwan, Germany, the United Kingdom, Hong Kong, and Singapore. Exports to these markets expanded, except for Mexico, Singapore, and Japan.

California home building and residential real estate markets slowed considerably in 2007. The number of single-family residential units permitted fell 37 percent in 2007, after falling by 30 percent in 2006. In the first quarter of 2008, they were down 61 percent from a year ago. Existing single-family detached home sales fell 26 percent in 2007. The median price fell 16 percent from December 2006 to December 2007.



Figure 6

Selected U.S. Economic Indicators

	2007 (Est.)	2008 (Projected)	2009 (Projected)
Real gross domestic product, (2000 dollar) (Percent change)	2.2	1.2	1.7
Personal consumption expenditures	2.9	1.4	1.4
Gross private domestic investment	-4.9	-8.4	1.0
Government purchases of goods and services	2.0	1.8	0.2
GDP deflator (2000=100) (Percent change)	2.7	2.0	2.0
GDP, (Current dollar) (Percent change)	4.9	3.2	3.8
Federal funds rate (Percent)	5.02	2.02	2.09
Personal income (Percent change)	6.2	4.2	3.6
Corporate profits before taxes (Percent change)	3.9	-14.7	18.0
Nonfarm wage and salary employment (Millions)	137.6	137.9	138.4
(Percent change)	1.1	0.2	0.4
Unemployment rate (Percent)	4.6	5.3	5.8
Housing starts (Millions)	1.34	0.91	1.13
(Percent change)	-25.8	-32.2	24.1
New car and light truck sales (Millions)	16.1	14.9	15.2
(Percent change)	-2.4	-7.5	1.9
Consumer price index (1982-84=100)	207.3	213.5	218.2
(Percent change)	2.9	3.0	2.2

Forecast based on data available as of April 2008.

Percent changes calculated from unrounded data.

Figure 7

Selected California Economic Indicators

	2007	Percent change	Projected			
			2008	Percent change	2009	Percent change
Personal income (\$ billions)	1,521.3	5.9%	1,589.0	4.5%	1,654.8	4.1%
Nonfarm W&S employment (thousands)	15,170.0	0.7%	15,140.4	-0.2%	15,225.9	0.6%
Natural resources and mining	25.8	3.0%	26.4	2.3%	27.4	3.9%
Construction	891.6	-4.5%	812.7	-8.9%	819.1	0.8%
Manufacturing	1,460.2	-1.9%	1,424.5	-2.4%	1,385.5	-2.7%
High technology	377.8	-0.9%	368.1	-2.6%	354.5	-3.7%
Trade, transportation, & utilities	2,911.0	1.1%	2,928.2	0.6%	2,948.4	0.7%
Information	471.6	1.2%	454.5	-3.6%	454.2	-0.1%
Financial activities	906.2	-3.1%	868.1	-4.2%	849.6	-2.1%
Professional and business services	2,265.4	1.1%	2,293.8	1.3%	2,337.5	1.9%
High technology	304.5	3.8%	316.9	4.1%	329.4	3.9%
Educational and health services	1,668.6	3.4%	1,702.6	2.0%	1,727.7	1.5%
Leisure and hospitality	1,559.8	2.7%	1,594.0	2.2%	1,634.3	2.5%
Other services	512.4	1.1%	516.4	0.8%	520.7	0.8%
Government	2,497.4	1.8%	2,519.2	0.9%	2,521.5	0.1%
Unemployment rate	5.4%		6.4%		6.6%	
Housing permits (thousands of units)	112	-31.5%	70	-37.5%	96	37.6%
Consumer price index (1982-84=100)	217.4	3.3%	224.7	3.4%	231.3	2.9%

Forecast based on data available as of April 2008.

Percent changes calculated from unrounded data.

Select Indicators

	2007		2008			Year-Over
	Mar	Dec	Jan	Feb	Mar	% Change
EMPLOYMENT (Seasonally adjusted)						
Civilian employment (000)	17,190	17,240	17,219	17,217	17,194	0.0%
Unemployment (000)	904	1,079	1,084	1,049	1,133	25.3%
Unemployment rate	5.0	5.9	5.9	5.7	6.2	--
Nonagricultural wage and salary employment (000) a.	15,178.2	15,171.0	15,141.7	15,165.2	15,166.2	-0.1%
Goods-producing industries	2,412.4	2,333.6	2,313.4	2,307.7	2,301.6	-4.6%
Natural resources and mining	25.9	25.5	25.7	25.8	25.9	0.0%
Construction	916.5	856.0	837.6	834.9	828.6	-9.6%
Manufacturing	1,470.0	1,452.1	1,450.1	1,447.0	1,447.1	-1.6%
Service-providing industries	12,765.8	12,837.4	12,828.3	12,857.5	12,864.6	0.8%
Trade, transportation, and utilities	2,908.2	2,908.3	2,915.1	2,917.6	2,912.9	0.2%
Information	473.5	475.0	450.3	462.1	468.8	-1.0%
Financial activities	921.9	887.1	885.5	881.4	878.8	-4.7%
Professional and business services	2,261.9	2,276.4	2,287.8	2,288.2	2,285.8	1.1%
Educational and health services	1,655.2	1,686.6	1,684.6	1,696.9	1,702.3	2.8%
Leisure and hospitality	1,549.4	1,561.9	1,561.9	1,565.7	1,568.3	1.2%
Other services	511.1	518.7	515.4	516.0	516.2	1.0%
Government	2,484.6	2,523.4	2,527.7	2,529.6	2,531.5	1.9%
Federal government	247.4	245.6	246.3	247.3	247.1	-0.1%
State and local government	2,237.2	2,277.8	2,281.4	2,282.3	2,284.4	2.1%
High-technology industries b/	--	--	--	--	--	--
Computer and electronic products manufacturing	307.4	306.4	305.4	305.0	305.4	-0.7%
Aerospace products and parts manufacturing	72.7	71.6	71.2	71.3	71.4	-1.8%
Software publishers	n.a.	n.a.	n.a.	n.a.	n.a.	--
Telecommunications	n.a.	n.a.	n.a.	n.a.	n.a.	--
Internet service providers	n.a.	n.a.	n.a.	n.a.	n.a.	--
Computer systems design	n.a.	n.a.	n.a.	n.a.	n.a.	--
Scientific research and development	n.a.	n.a.	n.a.	n.a.	n.a.	--
HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average weekly hours	40.2	40.8	40.0	40.5	40.9	1.7%
Average weekly earnings	\$648.02	\$669.53	\$659.60	\$667.04	\$675.26	4.2%
Average hourly earnings	\$16.12	\$16.41	\$16.49	\$16.47	\$16.51	2.4%
CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)						
All Urban Consumers Series						
California Average	n.a.	219.6	n.a.	221.4	n.a.	--
San Francisco CMSA	n.a.	218.5	n.a.	219.6	n.a.	--
Los Angeles CMSA	216.5	219.4	220.9	221.4	223.6	3.3%
Urban Wage Earners and Clerical Workers Series						
California Average	n.a.	212.6	n.a.	214.1	n.a.	--
San Francisco CMSA	n.a.	214.2	n.a.	214.9	n.a.	--
Los Angeles CMSA	208.9	212.3	213.8	214.2	216.5	3.6%
CONSTRUCTION						
Private residential housing units authorized (000) c/						
Single units	142	95	66	90	52	-63.6%
Multiple units	86	53	36	34	33	-61.9%
Multiple units	56	42	30	56	19	-66.2%
Residential building authorized valuation (millions) d.	\$33,690	\$25,860	\$18,783	\$20,101	\$17,112	-49.2%
Nonresidential building authorized valuation (millions) d.	\$23,042	\$27,229	\$21,131	\$23,038	\$23,368	1.4%
Nonresidential building authorized valuation (millions) e.						
Commercial	\$1,890	\$1,945	\$1,643	\$1,693	\$1,819	-3.8%
Industrial	744	837	569	628	641	-13.9%
Other	117	104	137	85	98	-16.2%
Alterations and additions	290	256	193	281	241	-16.7%
Alterations and additions	740	747	744	699	839	13.4%
AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	143,766	127,085	135,582	124,428	n.a.	--

a/ The wage and salary employment information is based on the new North American Industry Classification System (NAICS)

b/ Not seasonally adjusted

c/ Seasonally adjusted at annual rate

d/ Seasonally adjusted

e/ Not seasonally adjusted

n.a. Not available

Select Indicators *Continued*

VACANCY RATES FOR FIRST QUARTER 2008 (Percent)

	Office		Office		Office		Industrial	
	Downtown		Suburban		Metropolitan		1Q08	1Q07
	1Q08	1Q07	1Q08	1Q07	1Q08	1Q07		
Northern and Central California:								
Oakland	11.9	11.3	13.4	11.4	13.1	11.4	n.a.	n.a.
Sacramento	10.2	9.7	15.4	12.3	14.4	11.8	9.9	13.0
San Francisco	8.7	8.6	9.5	12.4	9.0	9.8	10.7	10.5
San Jose	13.3	20.0	11.0	9.7	11.5	12.0	n.a.	n.a.
Southern California:								
Los Angeles Metro	13.2	13.9	9.0	8.3	9.6	9.1	8.5	7.4
Orange County	n.a.	n.a.	15.9	8.8	15.9	8.8	7.3	6.9
San Diego	13.6	12.7	15.4	11.2	15.1	11.5	12.4	7.1
Ventura County	n.a.	n.a.	13.4	10.8	13.4	10.8	n.a.	n.a.
National Average	10.2	10.8	14.9	13.9	13.2	12.8	10.5	9.7

FOREIGN TRADE THROUGH CALIFORNIA PORTS

SALES OF EXISTING SINGLE-FAMILY HOMES

		Median	Units		
		Price	(SAAR)		
2003	Jan	\$336,212	584,600		
	Feb	326,645	566,890		
	Mar	351,134	567,609		
	Apr	364,040	583,333		
	May	367,627	572,265		
	Jun	374,535	572,128		
	Jul	381,938	595,858		
	Aug	406,142	645,721		
	Sep	384,686	631,881		
	Oct	379,119	636,688		
	Nov	384,472	627,190		
	Dec	401,724	637,078		
2004	Jan	\$404,463	615,659		
	Feb	391,550	589,220		
	Mar	428,060	590,220		
	Apr	452,680	640,710		
	May	463,320	632,380		
	Jun	468,050	633,660		
	Jul	462,145	639,910		
	Aug	473,520	591,150		
	Sep	463,630	626,210		
	Oct	459,530	639,571		
	Nov	471,980	652,340		
	Dec	474,270	645,860		
2005	Jan	\$484,580	659,410		
	Feb	470,920	608,160		
	Mar	496,550	634,700		
	Apr	509,630	658,060		
	May	522,590	618,920		
	Jun	542,330	656,310		
	Jul	539,840	647,910		
	Aug	567,320	632,240		
	Sep	543,510	650,780		
	Oct	538,770	621,530		
	Nov	548,680	579,560		
	Dec	547,400	531,910		
2006	Jan	\$549,460	500,470		
	Feb	534,400	513,740		
	Mar	562,130	539,170		
	Apr	562,380	516,960		
	May	563,860	488,260		
	Jun	575,850	483,690		
	Jul	567,860	453,980		
	Aug	577,300	442,150		
	Sep	557,150	444,780		
	Oct	552,020	443,320		
	Nov	554,500	450,830		
	Dec	569,350	452,060		
2007	Jan	\$551,220	446,820		
	Feb	554,280	480,170		
	Mar	582,930	422,300		
	Apr	597,640	373,280		
	May	592,780	366,370		
	Jun	594,280	364,280		
	Jul	586,030	350,980		
	Aug	588,970	319,200		
	Sep	530,830	271,590		
	Oct	497,110	265,030		
	Nov	489,570	287,600		
	Dec	476,380	301,040		
2008	Jan	\$429,790	313,580		
	Feb	419,640	343,220		
	Mar	413,980	318,830		

PORTS		DOD PRIME CONTRACTS a/		
Exports	Imports			
(\$ millions)			\$ millions	% of U.S.
\$8,408	\$17,588	1993-94	22,573	20.5%
8,423	16,359	1994-95	18,277	16.8%
9,784	18,789	1995-96	18,230	16.7%
9,158	19,151	1996-97	18,477	17.3%
9,090	18,537	1997-98	17,401	15.9%
9,743	19,774	1998-99	17,372	15.1%
9,604	20,743	1999-00	18,100	14.7%
9,626	19,846	2000-01	19,939	14.7%
8,968	21,060	2001-02	23,816	15.0%
10,341	23,021	2002-03	28,681	15.0%
9,969	21,320	2003-04	27,875	13.7%
10,437	20,528	2004-05	31,065	13.1%

a/ U.S. fiscal year: October through September
n.a. Not available

Leading Indicators/^a

		Manufacturing		Unemployment	New	Housing Unit
		Overtime	Average	Insurance	Business	Authorizations
		Hours	Weekly Hours	Claims	Incorporations	(Thousands)
2002	Jan	3.8	38.9	66,636	7,285	138.0
	Feb	3.9	39.4	57,127	6,810	132.3
	Mar	4.1	39.9	61,095	7,309	137.3
	Apr	4.1	39.9	62,252	7,327	134.4
	May	4.1	39.6	60,597	8,536	132.2
	Jun	4.1	39.9	58,962	6,982	162.5
	Jul	3.9	39.2	61,875	7,291	146.2
	Aug	4.0	39.8	61,325	7,599	135.1
	Sep	3.9	40.0	60,725	7,389	140.6
	Oct	3.8	39.6	63,069	8,188	126.8
	Nov	3.9	39.8	59,066	7,534	140.2
	Dec	3.9	39.9	60,013	7,684	150.9
2003	Jan	3.9	39.5	60,500	7,464	189.8
	Feb	4.0	39.8	60,450	8,598	247.2
	Mar	3.7	39.7	59,627	7,105	188.8
	Apr	3.6	39.6	62,996	7,857	184.5
	May	3.7	39.8	60,744	7,715	207.7
	Jun	3.7	39.9	60,715	7,858	176.5
	Jul	3.8	39.5	60,298	8,156	189.3
	Aug	3.8	39.6	58,070	7,079	191.2
	Sep	3.9	39.6	57,634	8,427	184.3
	Oct	3.9	39.7	60,661	8,208	225.0
	Nov	4.1	40.3	55,131	7,462	192.5
	Dec	4.0	39.6	51,370	8,287	192.5
2004	Jan	4.0	40.0	50,262	8,161	205.8
	Feb	4.1	40.2	50,215	8,596	205.6
	Mar	4.2	40.2	48,845	8,347	210.7
	Apr	4.4	39.9	48,663	8,462	201.8
	May	4.5	40.3	46,437	8,030	204.9
	Jun	4.3	39.9	49,581	8,837	209.3
	Jul	4.4	40.2	48,549	8,636	197.7
	Aug	4.2	40.2	47,823	8,289	215.6
	Sep	4.1	39.3	47,338	8,778	213.2
	Oct	4.2	39.8	47,295	8,130	214.2
	Nov	4.4	39.9	47,341	9,020	236.9
	Dec	4.4	39.8	48,188	9,012	227.3
2005	Jan	4.5	40.2	50,011	5,926	205.5
	Feb	4.5	39.9	46,613	8,977	201.2
	Mar	4.4	39.9	45,084	9,131	209.1
	Apr	4.5	40.0	43,844	9,560	209.8
	May	4.4	39.9	43,211	9,425	212.6
	Jun	4.4	39.6	42,341	9,282	218.3
	Jul	4.3	39.9	41,141	9,189	233.4
	Aug	4.6	40.0	41,131	9,118	198.7
	Sep	4.5	40.1	41,437	9,221	264.3
	Oct	4.5	40.5	39,984	8,740	195.8
	Nov	4.3	40.0	39,978	9,072	190.6
	Dec	4.3	39.3	41,352	9,088	175.8
2006	Jan	4.3	40.2	41,651	9,044	179.3
	Feb	4.5	40.2	38,711	8,699	221.5
	Mar	4.4	40.0	42,336	9,405	171.7
	Apr	4.4	40.2	43,184	8,519	179.8
	May	4.4	40.1	42,531	9,356	164.4
	Jun	4.5	40.4	40,533	8,579	198.7
	Jul	4.2	40.5	42,662	8,417	144.2
	Aug	4.1	40.2	42,949	8,981	150.5
	Sep	4.0	40.2	42,154	8,646	151.3
	Oct	4.3	40.5	42,070	9,070	135.7
	Nov	4.1	40.3	43,305	9,063	128.2
	Dec	4.3	40.7	45,290	8,772	139.1
2007	Jan	4.1	40.5	42,735	9,099	139.4
	Feb	3.8	40.2	42,805	8,890	130.8
	Mar	3.9	40.2	43,454	8,513	141.8
	Apr	3.8	40.6	43,033	8,429	126.5
	May	4.0	40.4	44,729	8,548	120.4
	Jun	4.2	40.6	45,168	8,821	102.0
	Jul	3.9	40.9	45,494	8,705	111.9
	Aug	4.1	40.8	46,201	9,284	126.2
	Sep	4.1	40.7	46,601	8,560	84.8
	Oct	4.2	40.6	49,039	9,091	98.7
	Nov	3.9	40.6	48,732	9,320	69.4
	Dec	3.9	40.3	49,154	8,385	94.6
2008	Jan	3.8	40.4	50,132	7,877	66.0
	Feb	3.9	40.7	47,190	8,805	89.9
	Mar	3.9	40.9	50,184	7,430	51.6

^{a/} Seasonally adjusted by the California Department of Finance.

Coincident Indicators/^a

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
2004	Jan	14,429	1,537	6.6	450
	Feb	14,445	1,534	6.5	441
	Mar	14,461	1,534	6.5	440
	Apr	14,481	1,537	6.4	436
	May	14,502	1,538	6.4	426
	Jun	14,503	1,534	6.3	436
	Jul	14,568	1,545	6.2	408
	Aug	14,549	1,536	6.1	418
	Sep	14,547	1,530	6.1	421
	Oct	14,616	1,528	6.0	401
	Nov	14,636	1,525	5.9	399
	Dec	14,626	1,520	5.9	402
2005	Jan	14,651	1,524	5.9	400
	Feb	14,685	1,520	5.7	393
	Mar	14,695	1,515	5.5	385
	Apr	14,747	1,517	5.5	371
	May	14,739	1,512	5.5	366
	Jun	14,750	1,510	5.5	374
	Jul	14,808	1,519	5.3	359
	Aug	14,840	1,514	5.3	360
	Sep	14,874	1,512	5.2	337
	Oct	14,895	1,512	5.2	345
	Nov	14,931	1,511	5.1	337
	Dec	14,953	1,509	5.1	325
2006	Jan	14,957	1,511	5.1	337
	Feb	14,999	1,511	4.9	335
	Mar	14,994	1,508	4.9	343
	Apr	14,984	1,503	5.0	358
	May	15,030	1,503	4.9	336
	Jun	15,060	1,501	4.9	335
	Jul	15,085	1,501	4.8	342
	Aug	15,110	1,499	4.9	339
	Sep	15,122	1,500	4.8	339
	Oct	15,162	1,506	4.8	342
	Nov	15,188	1,507	4.7	348
	Dec	15,213	1,507	4.8	348
2007	Jan	15,136	1,476	5.0	357
	Feb	15,159	1,473	5.0	358
	Mar	15,178	1,470	5.0	349
	Apr	15,139	1,466	5.2	359
	May	15,162	1,465	5.3	368
	Jun	15,172	1,464	5.3	353
	Jul	15,193	1,467	5.4	371
	Aug	15,182	1,459	5.5	372
	Sep	15,170	1,457	5.6	395
	Oct	15,168	1,457	5.7	401
	Nov	15,160	1,454	5.7	381
	Dec	15,171	1,452	5.9	427
2008	Jan	15,142	1,450	5.9	418
	Feb	15,165	1,447	5.7	408
	Mar	15,166	1,447	6.2	455
		Personal Income b/ (\$ millions)	Wages & Salaries b/ (\$ millions)	Taxable Sales c/ (\$ millions)	
2004	Qtr I	\$1,235,134	\$682,305	\$122,248	
	Qtr II	1,254,107	694,530	124,131	
	Qtr III	1,272,152	704,879	124,884	
	Qtr IV	1,302,488	714,168	128,541	
2005	Qtr I	\$1,312,089	\$719,120	\$128,097	
	Qtr II	1,335,194	727,829	133,749	
	Qtr III	1,363,071	744,510	137,374	
	Qtr IV	1,382,667	753,281	137,157	
2006	Qtr I	\$1,413,588	\$777,381	\$138,131	
	Qtr II	1,426,103	773,704	140,907	
	Qtr III	1,443,049	784,100	140,409	
	Qtr IV	1,463,044	800,737	140,098	
2007	Qtr I	\$1,489,176	\$811,186	\$142,376	
	Qtr II	1,512,753	822,201	142,779	
	Qtr III	1,530,473	829,252	137,636	
	Qtr IV	1,545,784	837,324	138,460	

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.

b/ Estimates by the U.S. Bureau of Economic Analysis

c/ Taxable sales estimates for QII, QIII, QIV are preliminary.

e/ Not seasonally adjusted

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

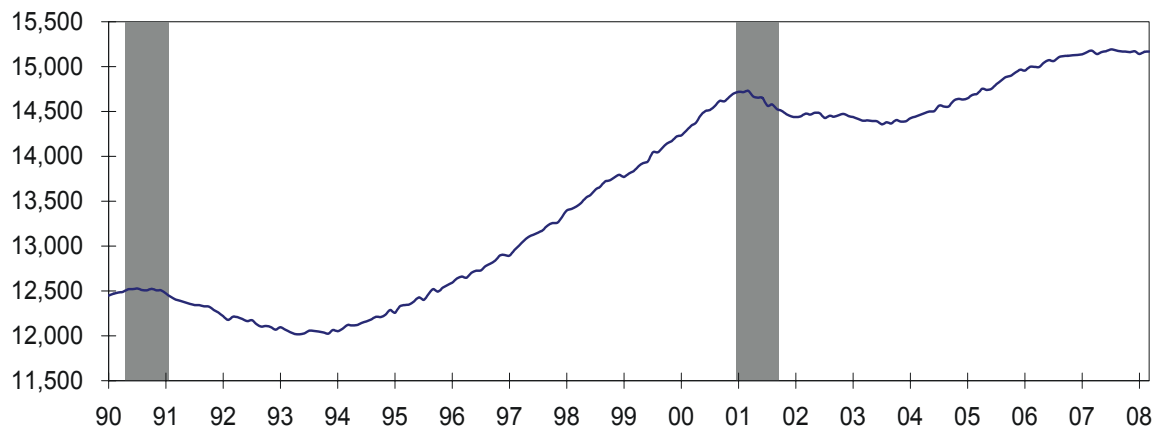
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-12 Arima program. Persons interested in a detailed description of this method are referred to the U.S. Census Bureau's Statistical Research Division.

Under the X-12 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

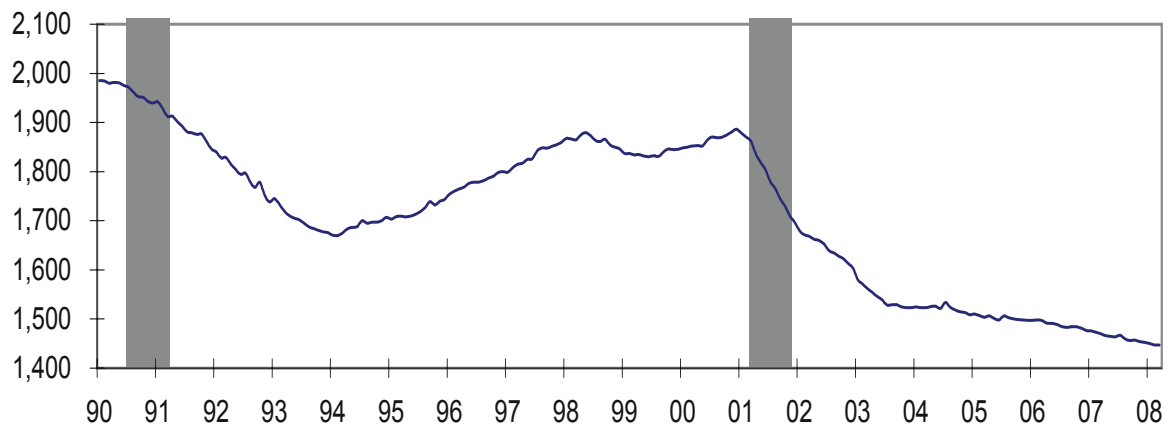
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

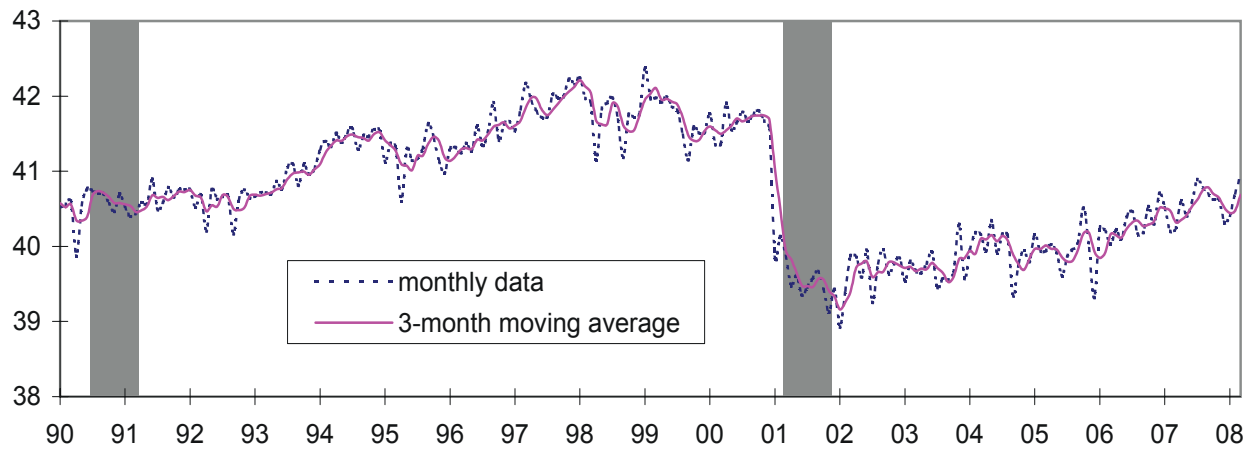
**Nonagricultural
Employment**
(Thousands,
Seasonally Adjusted)



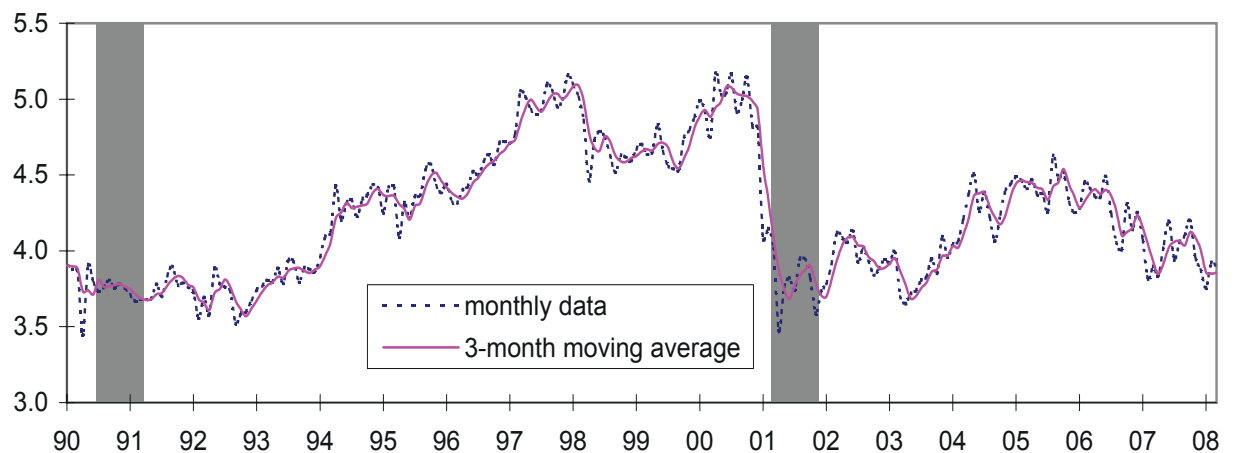
**Manufacturing
Employment**
(Thousands,
Seasonally Adjusted)



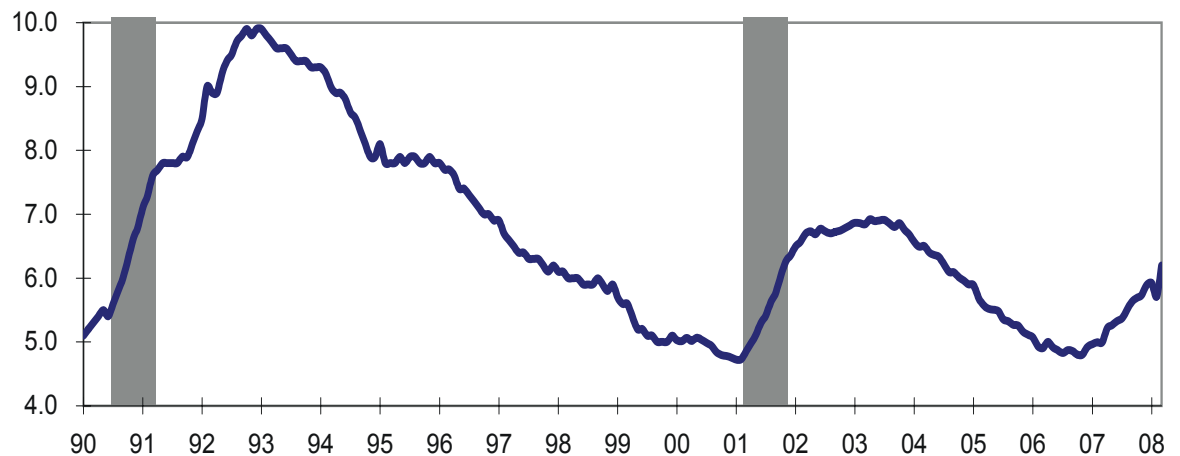
Average
Weekly Hours,
Manufacturing
(Seasonally Adjusted)



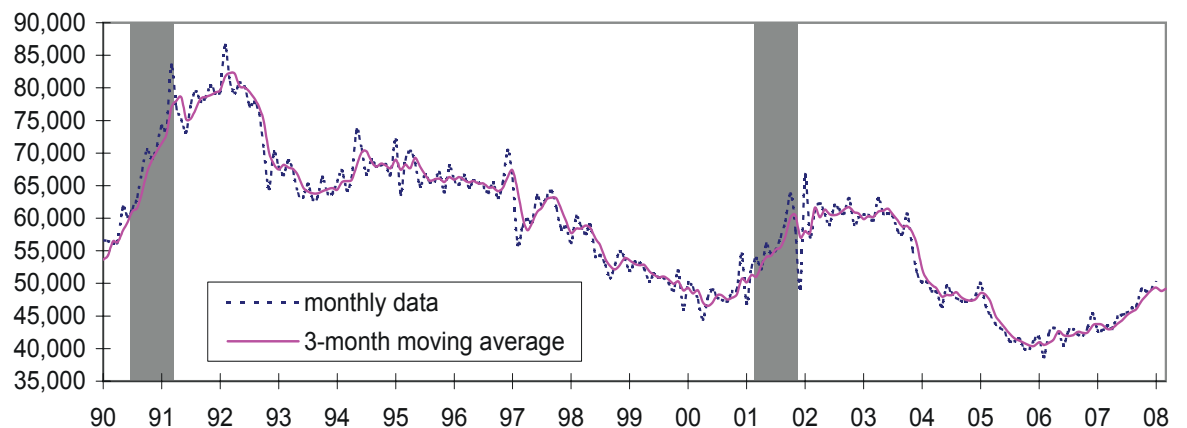
Average
Overtime Hours,
Manufacturing
(Seasonally Adjusted)



Unemployment
Rate
(Percent)

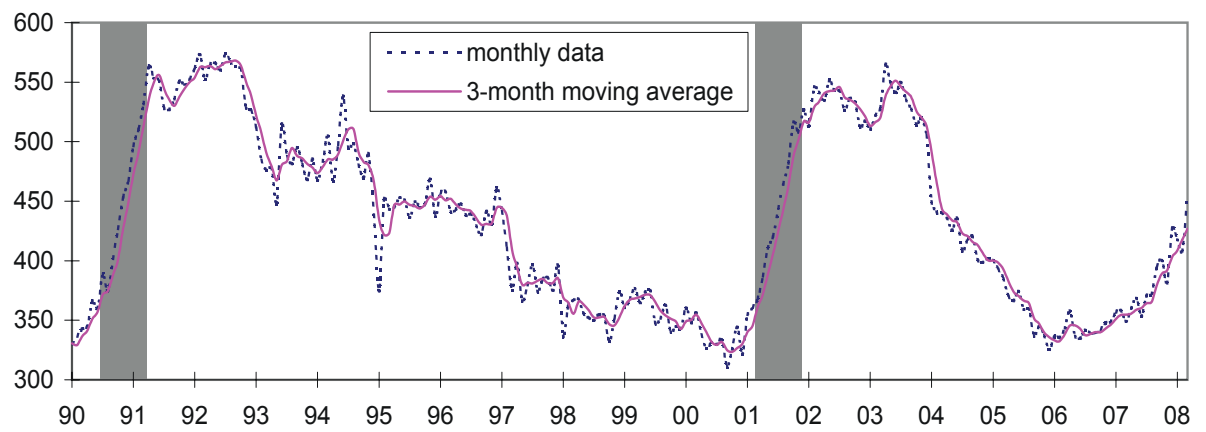


Initial &
Transitional
Claims for
Unemployment
Insurance
(Weekly Average,
Seasonally Adjusted)



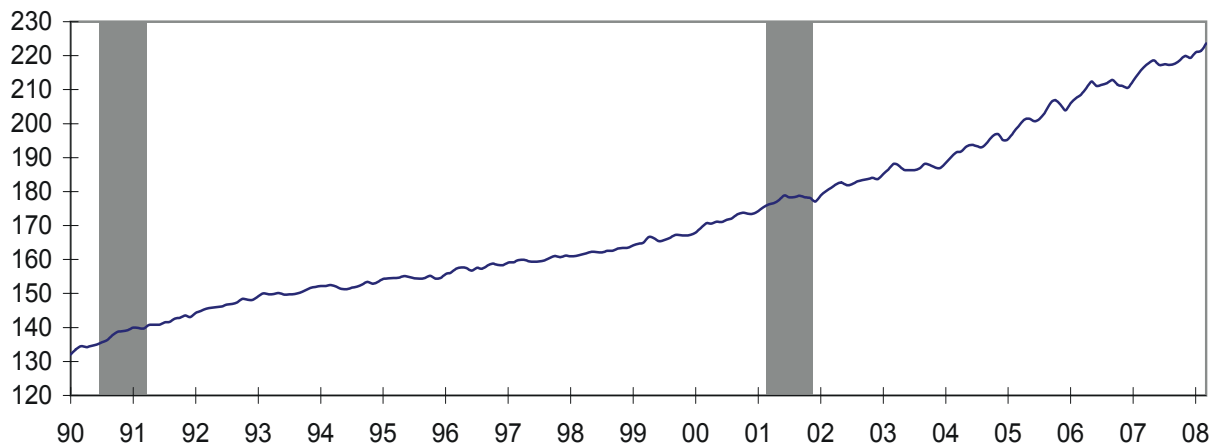
Unemployment, Average Weeks Claimed

(thousands,
Seasonally Adjusted)



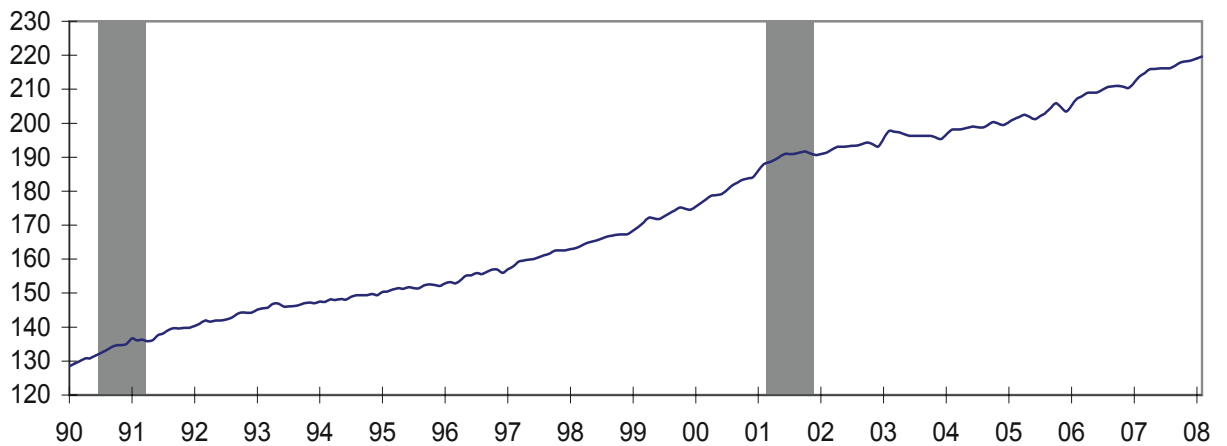
Consumer Price Index, Los Angeles

(1982-84=100)



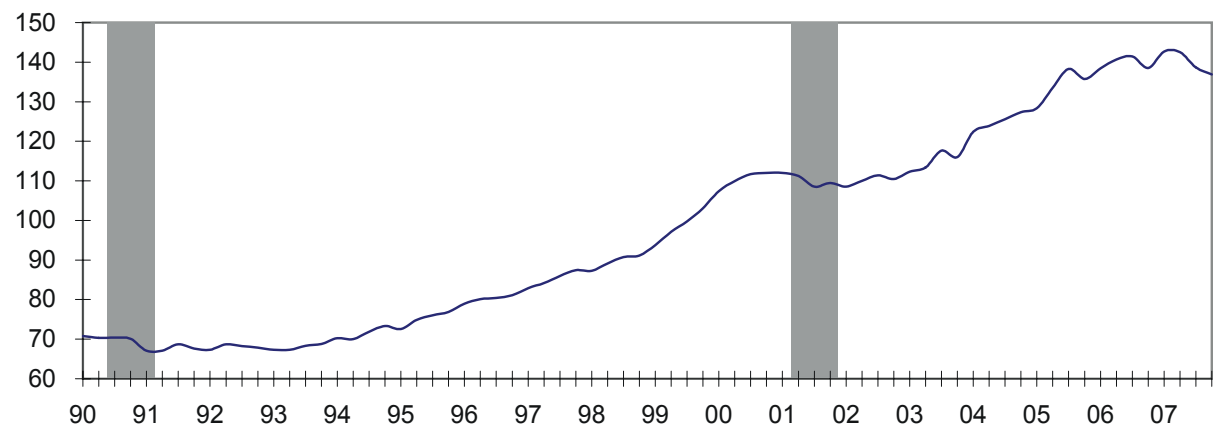
Consumer Price Index, San Francisco

(1982-84=100)



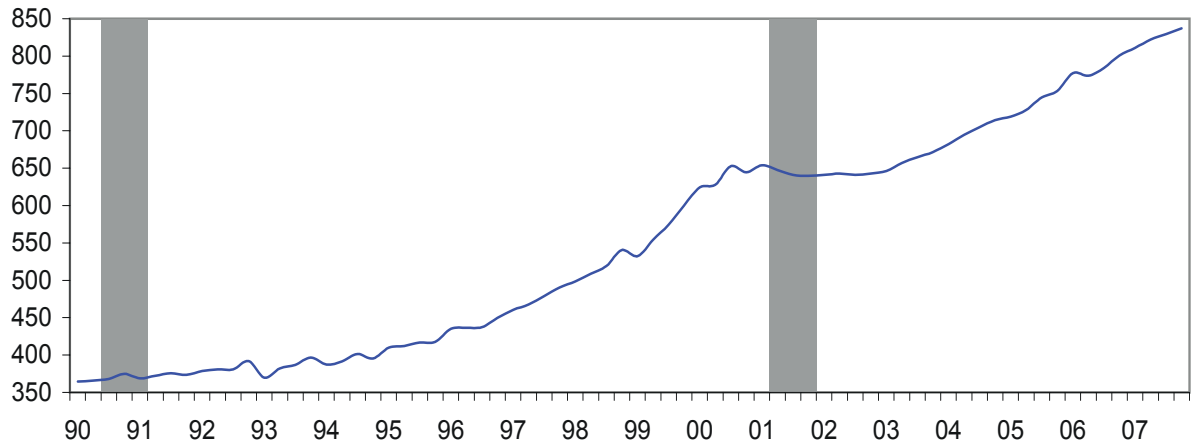
Taxable Sales

(Dollars in billions,
Seasonally Adjusted)



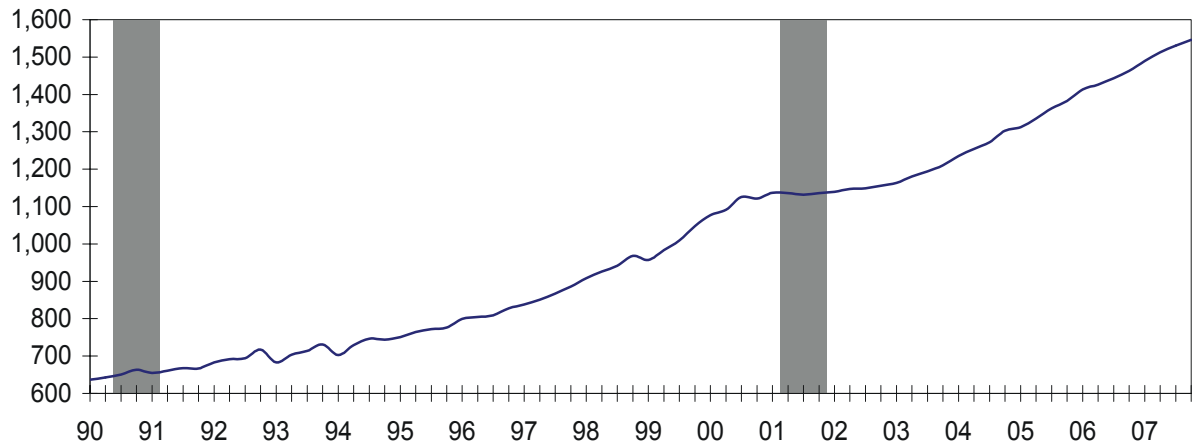
Wages and Salaries

(Dollars in billions, Seasonally Adjusted)



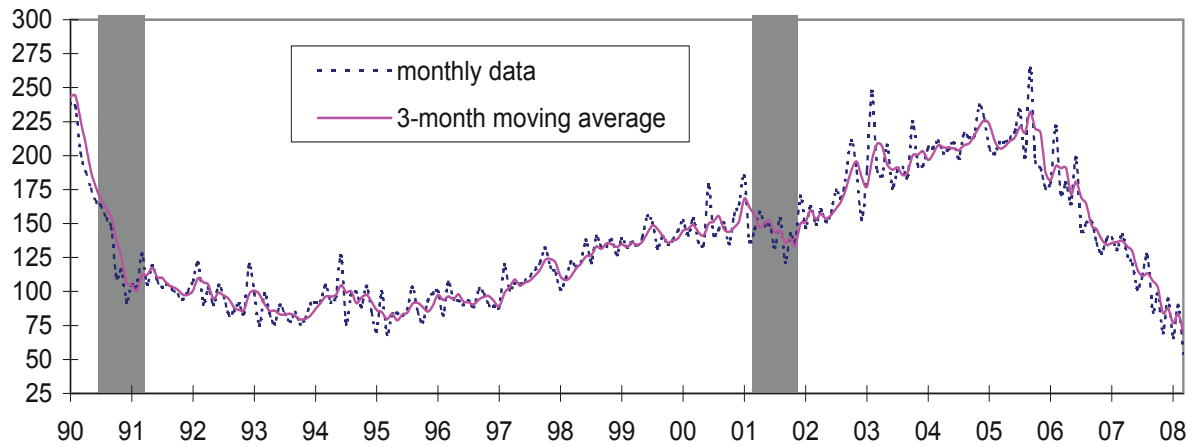
Personal Income

(Dollars in billions, Seasonally Adjusted)



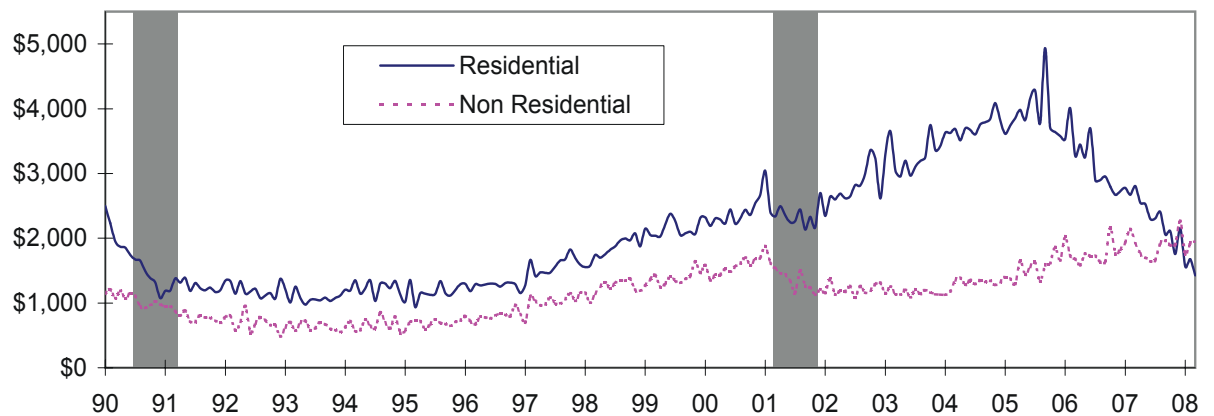
New Housing Units Authorized By Building Permits

(thousands, Seasonally Adjusted at Annual Rate)



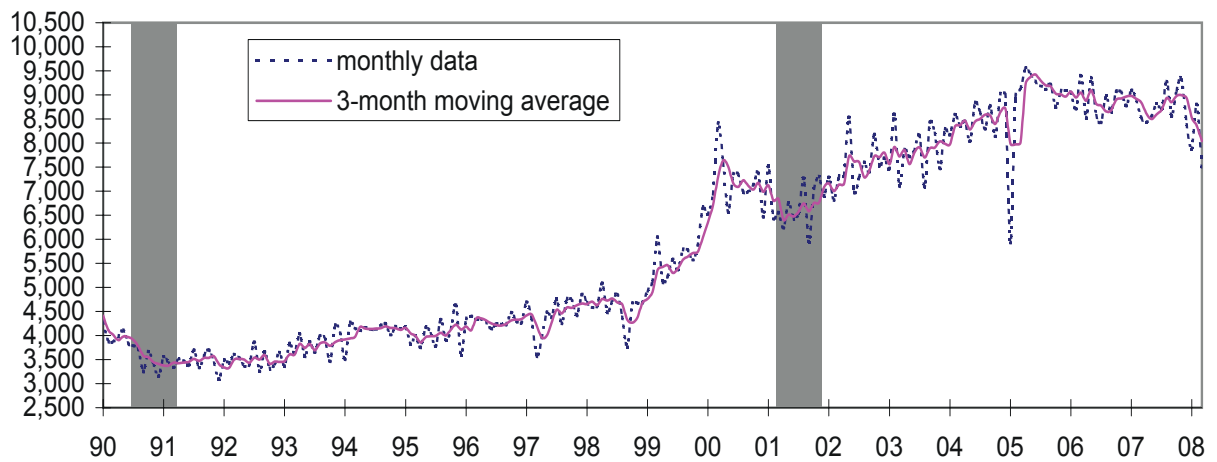
Residential & Nonresidential Building Permit Valuation

(Dollars in millions, Seasonally Adjusted)



New Business Incorporations

(Seasonally Adjusted)



■ CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of events dating back to 1956 is available at the Department's internet home page at: www.dof.ca.gov

2007

- July 24** Federal minimum wage increased to \$5.85 from \$5.15 per hour.
- July 26** The Dow Jones industrial average dropped 311.50 points or 2.3 percent amid concerns about housing and credit markets.
- August 2** Mattel says it is recalling 1.5 million Chinese-made toys worldwide marking the latest in a string of recalls that have fueled U.S.-China tensions over the safety of Chinese products.
- August 9** The Dow Jones industrial average was down 387.18 points or 2.8 percent as worries about the global credit market sparked a broad sell-off in stocks.
- August 10** The Federal Reserve injected \$38 billion into the banking system in an effort to provide liquidity as needed to keep financial markets operating normally.
- August 17** The Federal Reserve, reacting to concerns about the subprime lending crisis, cut its discount rate half a percentage point to 5.75 percent.
- August 23** Bank of America invests \$2 billion in Countrywide Financial Corporation, helping the nation's largest mortgage lender shore up its finances as it struggles with a liquidity crunch.
- August 24** California Governor Arnold Schwarzenegger signs the 2007-08 state budget bill.
- August 28** The Dow Jones industrial average closed down 280.28 points or 2.1 percent as investors were hit by fresh worries over declining consumer confidence, falling home prices, shrinking profits on Wall Street and uncertainty about the Federal Reserve.
- August 30** Second quarter GDP increased at an annual rate of 4 percent. That's up from its initial estimate of 3.4 percent growth.
- September 10** Blasts rip Mexico gas and oil pipelines.

September 18	Federal funds rate reduced from 5.25 percent to 4.75 percent. Discount rate cut from 5.75 percent to 5.25 percent.
September 27	Second quarter GDP increased at an annual rate of 3.8 percent. That's down from its preliminary estimate of 4 percent.
October 21-26	Southern California wildfires
October 31	Federal funds rate reduced from 4.75 percent to 4.50 percent. Discount rate cut from 5.25 percent to 5 percent.
November 1	The Federal Reserve injects \$41 billion in temporary reserves into the US money markets.
November 5-	Members of the Writers Guild of America strike
November 12	Citigroup, Bank of America, and JPMorganChase agree to a \$75 billion superfund to restore confidence to credit markets.
November 15	US House of Representatives passes the Mortgage Reform and Anti-Predatory Lending Act of 2007.
December 6	President Bush announces a plan to voluntarily and temporarily freeze the mortgage rates of a limited number of mortgage debtors holding adjustable rate mortgages.
December 11	Federal funds rate target reduced from 4.50 percent to 4.25 percent. Discount rate cut from 5 percent to 4.75 percent.
December 12	The Federal Reserve injects \$40B into the money supply and coordinates such efforts with central banks from Canada, United Kingdom, Switzerland and European Union.
December 18	The Federal Reserve approves measures to give mortgage holders more protection to prevent the current housing crisis from worsening further.
December 20	Third quarter GDP increased at an annual rate of 4.9 percent.
December 21	In California, sales of new and existing houses and condos were down 39 percent from a year ago in November. Sales have declined in the last 26 months on a year-over-year basis. The median price paid for a home was down 2.4 percent from the prior month and down 11.9 percent from a year ago. Financing with adjustable-rate mortgages and with multiple mortgages have dropped sharply. Foreclosure activity is at record levels.
December	Banks, mortgage lenders, real estate investment trusts, and hedge funds continue to suffer significant losses as a result of mortgage payment defaults and mortgage asset devaluation.

2008

January 1	California minimum wage increased to \$8.00 per hour from \$7.50.
January 11	Bank of America agrees to purchase Countrywide Financial.
January 14	Fitch assigns Negative Rating Watch to State of California.
January 2 1-22	Global stock markets plunge.
January 22	Federal funds rate target reduced from 4.25 percent to 3.5 percent, the biggest one-day interest rate reduction on record.
January 30	Federal funds rate target reduced from 3.5 percent to 3 percent.
February 12	Hollywood writers strike ends.
February 19	Crude oil price tops \$100 a barrel.

March 13	Gold futures hit \$1000 an ounce for the first time. Crude oil price tops \$110 a barrel. Gas prices rise to another record high.
March 16	JPMorgan agrees to buy Bear Stearns for a mere fraction of what it was once worth.
March 17	The Fed expanded the range of programs to boost financial market liquidity and cut the discount rate by 25 basis points, to 3.25 percent
March 18	Federal funds rate target reduced from 3 percent to 2.25 percent.
March 27	Fourth quarter GDP increased at an annual rate of 0.6 percent, compared with 4.9 percent in the third quarter.
April 15	Retail chains caught in a wave of bankruptcies.
April 16	Consumer prices, over the past 12 months, is up by 4 percent, reflecting sharp gains in energy costs, which are up 17 percent over that period, and food prices, which are up 4.4 percent.
April 30	Federal funds rate target reduced from 2.25 percent to 2 percent. First quarter GDP increased at an annual rate of 0.6 percent.